

## Message Text

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FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 9908

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E.O. 11652: NA

TAGS: EAIR IS

SUBJ: CIVIL AIR--POSSIBLE ISRAELI EXPERIMENT WITH EXPANDED  
CHARTER SERVICE

REF: 75 TEL AVIV 7157

1. ISRAEL SHOULD GIVE CHARTER FLIGHTS A SIX MONTH TRIAL PERIOD ACCORDING TO COMMITTEE APPOINTED BY MINISTER OF FINANCE TO STUDY PROBLEM. COMMITTEE CONSERVATIVELY ESTIMATED THAT CHARTER FLIGHTS WOULD BE TEN TO THIRTY PERCENT CHEAPER THAN LOWEST PRESENTLY AVAILABLE GROUP FARES AND COULD BE AS MUCH AS FIFTY PERCENT CHEAPER FOR POINTS LOCATED FAR FROM PRESENT EL AL GATEWAYS. MOREOVER, THESE ESTIMATES DO NOT INCLUDE POTENTIAL SAVINGS RESULTING FROM MASS MARKETING OF HOTEL ROOMS AND GROUND SERVICES. COMMITTEE REPORTED THAT NOT ONLY ARE PRESENT TOURIST FACILITIES GREATLY UNDERUTILIZED BUT ISRAEL'S TOURIST CAPACITY IS INCREASING AT RATE WHICH COULD ACCOMMODATE 150,000 ADDITIONAL TOURISTS ANNUALLY FOR NEXT THREE YEARS.

2. BASIC QUESTION INVOLVED IN ISRAEL'S LENGTHY CONSIDERATION OF CHARTER FLIGHT QUESTION IS WHETHER OR NOT INCREASED BENEFITS ACCRUING TO ISRAEL'S TOURIST INDUSTRY AND BALANCE OF PAYMENTS FROM REDUCED CHARTER FARES WILL OUT-WEIGHT NEGATIVE IMPACT ON EL AL'S REVENUES. COMMITTEE SUGGESTED SIX MONTH EXPERIMENT TO

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TEST THE WATER. CHARTERS WOULD BE GRANTED FOR AREAS NOT

PRESENTLY SERVED BY EL AL, FOR EXAMPLE, U.S. WEST COAST. COMMITTEE BELIEVES THAT SINCE EL AL DOES NOT COMPETE FOR SPECIALIZED CHARTER MARKETS SUCH AS DIRECT WINTER FLIGHTS TO EILAT, TOURS ORGANIZED BY LARGE COMPANIES FOR THEIR EMPLOYEES, BRIEF FOUR OR FIVE DAY CITY TOURS AS PART OF LARGER TRAVEL PACKAGE, PLUS VISITS BY U.S. MILITARY PERSONNEL AND DEPENDENTS STATIONED IN EUROPE, CHARTERS WOULD REPRESENT ADDITIONAL TOURIST REVENUES RATHER THAN SUBSTITUTES FOR EL AL. MOREOVER, EL AL WOULD BE FREE TO COMPETE FOR NEW CHARTER SERVICES. COMMITTEE ALSO POINTED OUT THAT GOI COULD STIPULATE THAT CHARTERS WOULD HAVE TO HIRE EL AL AIRCRAFT FOR AT LEAST PART OF TOUR.

3. FINAL STATISTICS FOR ISRAEL'S TOURISM IN 1975 INDICATED THAT ALMOST 620,000 VISITORS ARRIVED, ONLY ONE PERCENT LESS THAN PREVIOUS YEAR, AND PROGNOSIS FOR 1976 IS GOOD. THUS, EL AL AND SUPPORTERS ARGUE THAT THERE IS NOT AS MUCH REASON TO EXPERIMENT WITH CHARTERS AS THERE WAS SIX MONTHS AGO WHEN COMMITTEE APPOINTED AND TOURISM PROJECTIONS NOT AS ROSY. NONETHELESS, MINISTRY OF TRANSPORT DECIDED JAN 21 EXTEND SCOPE DIRECT CHARTER FLIGHTS TO EILAT FROM DENMARK AND FINLAND TO ALL EUROPEAN COUNTRIES. COMMITTEE SAID THERE IS NOT SUFFICIENT TIME TO PREPARE FOR THIS YEAR BUT IF DECISION WERE MADE BY MARCH, CHARTER EXPERIMENT COULD BE ORGANIZED FOR 1977.

4. COMMENT: COMMITTEE'S REPORT IS NOW BEING "STUDIED" BY MINISTRY OF TRANSPORT. WHILE OUTCOME IS UNCERTAIN, ONE MEMBER OF COMMITTEE TOLD EMBASSY THAT HE EXPECTS MOST OF COMMITTEE'S FINDINGS TO BE ADOPTED.  
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